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THE WOOL SITUATION

Summary

Prices of wool in the United States held about steady during June after rising moderately in May. Domestic supplies of raw wool continue to be smaller than a year earlier. Imports of wool thus far in 1939 have been larger than in the corresponding months of 1938, but mill consumption of wool also has been considerably larger. Prospects are for a fairly high level of domestic mill consumption in the next few months, but perhaps not at so high a rate as in the first quarter of 1939.

The weekly rate of mill consumption of apparel wool in the United States in May was almost 30 percent higher than in April but was slightly below the first quarter of the year. Consumption on a scoured basis in the first 5 months of this year was 80 percent larger than in the same months last year but smaller than in the like period in 1935-37. Mill orders for fabrics for the fall season continue much larger than a year earlier.

The carry-over of wool into the 1939-40 season will be small in the Southern Hemisphere but stocks are fairly large in importing countries. However, mill activity has increased in European countries and the United Kingdom. The foreign political tension favors the building up of stocks of raw wool in manufacturing centers in these countries. Demand has been strong at recent Southern Hemisphere wool sales.

Australian wool production for the season beginning July 1, 1939 is expected to be about 980 million pounds, grease equivalent. This is an increase of 4 percent over the estimate for 1938-39 but is slightly smaller than the average

production for the 5 preceding seasons. The estimated increase in production over last year is expected to be more than offset by the decrease in the carry-over, and available supplies for the 1939-40 season in Australia may be slightly smaller than for the season just closed. Australia produces about one-half of the wool clip of the Southern Hemisphere.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

BACKGROUND: After declining to a low level in the spring of 1938, domestic mill consumption of wool increased rapidly in the last half of 1938, and was at a relatively high level through the early months of 1939. Domestic wool prices advanced moderately in the second half of 1938, but wool prices (in terms of dollars) in foreign markets declined. The spread between domestic and foreign prices widened sufficiently to attract fairly large imports of wool to the United States in the early months of 1939.

Mill consumption in the United States for the 12 months ended March 31 exceeded the total production and imports for the year. Stocks of raw wool at the opening of the 1939 season in April were much smaller than a year earlier and were smaller than the average April 1 stocks of the preceding 5 years.

Wool prices irregular in June

Sales of wool in the domestic market in June were much smaller than in May. Prices were somewhat irregular. Quotations for graded fine and half blood territory wools on the Boston market at the end of June were 1 to 2 cents a pound lower than a month earlier. Prices of three-eighths blood and coarser grades, on the other hand, were equal to or slightly above late May prices. Good french combing length fine territory wools in original bags were sold at 64-66 cents a pound, scoured basis, at the end of June compared with 65-68 cents a month earlier and 60-63 cents a year earlier.

Sales of graded lines of bright fleece wools were small in the second half of June and quotations were largely nominal and unchanged during the month. Quotations on mixed lots of 3/8 and 1/4 blood bright fleece wools available for immediate shipment from country points, advanced in mid-June to 31-32 cents a pound, grease basis, delivered to eastern markets. At the end of June such wools were available at 29.5 to 30.5 cents a pound, compared with 30-31 cents at the end of May and 26 cents at the end of June 1938.

The United States average price of wool received by farmers on June 15 was 21.9 cents a pound compared with 21 cents on May 15 and 18 cents on June 15, 1938.

Imports larger than a year ago

United States imports of apparel wool for consumption 1/ totaled 6.5 millio

1/ Wool entered for immediate consumption plus wool withdrawn from bonded warehous for consumption.

pounds in May compared with 6.3 million pounds in April and only 1.2 million in May 1938. In the first 5 months of this year 33 million pounds of apparel wool were imported for consumption compared with only 7 million pounds imported in the same months last year and an average of about 39 million pounds for the 5 years 1933-37. The increase in imports this year compared with last reflects the wider spread between domestic and foreign wool prices thus far in 1939.

Mill consumption resumed high level in May

Mill consumption of apparel wool increased sharply in May. The weekly rate of 5,061,000 pounds, scoured basis, was almost 30 percent higher than in April but was slightly below the first quarter of the year. The May consumption was more than 50 percent larger than in May 1938 and was 18 percent larger than the May average for the 10 years 1929-38.

Consumption on a grease basis in the first 5 months of 1939 was equivalent to 199 million pounds of shorn wool and 32 million pounds of pulled wool. In the same months last year wool consumption was equivalent to 103 million pounds of shorn wool and 23 million pounds of pulled wool. Consumption in the first 5 months of the year was more than 10 percent larger than the 10-year average for those months.

Wool, apparel: Mill consumption, imports for consumption and price per pound received by producers, January 1938-May 1939

Month	1938			1939		
	Mill consumption, grease basis 1/	Imports, actual weight 2/	Average price	Mill consumption, grease basis 1/	Imports, actual weight 2/	Average price
	Mil. lb.	Mil. lb.	Cents	Mil. lb.	Mil. lb.	Cents
Jan.	24.6	2.1	21.6	53.0	6.1	20.0
Feb.	27.8	1.5	20.3	51.5	5.2	20.2
Mar.	27.3	0.8	19.2	54.9	9.3	20.0
Apr.	25.2	1.0	18.5	35.0	6.3	19.7
May	33.3	1.2	18.8	52.6	6.5	21.0
June	39.8	2.0	17.7			
July	45.3	2.9	18.7			
Aug.	63.1	3.2	19.5			
Sept.	50.7	2.8	18.7			
Oct.	48.0	4.8	19.7			
Nov.	60.1	4.1	20.5			
Dec.	63.4	4.4	20.2			
Year	508.6	30.8	19.1			
Jan.-May	138.2	6.5		247.0	33.5	

Mill consumption compiled from reports of the New York Wool Top Exchange. Imports from the Bureau of Foreign and Domestic Commerce.

1/ Consumption of scoured and pulled wool has been converted to a greasy shorn equivalent.

2/ Weight of greasy, scoured and skin wool added together.

OUTLOOK

With the 1939 domestic wool clip now moving rapidly to eastern markets, wool prices in the United States in the remainder of 1939 will be influenced largely by domestic mill consumption of wool and by price changes in foreign markets. Domestic supply conditions continue more favorable than a year earlier. The carry-over of wool into the 1939 season in this country was much smaller than in 1938 and larger mill consumption of wool so far in 1939 has more than offset the increase in imports. Domestic wool production for 1939 is expected to be not greatly different from that of last year.

Mill consumption of wool in the United States is likely to continue at a fairly high level through the summer and early fall months. Mill orders for wool fabrics for the fall season placed so far in 1939 have been much larger than a year earlier when orders were small. The trend of consumption in the late fall and winter will depend partly on business conditions in the second half of 1939, which are expected to be at least as good as in the first half.

Supplies of wool in Australia at the beginning of the 1939-40 Southern Hemisphere marketing season in September are expected to be slightly below average. Australia produces about one-half of the Southern Hemisphere clip. It appears certain also that the carry-over in most other Southern Hemisphere countries will be small. On the other hand, stocks in European importing countries and the United Kingdom are fairly large. But mill activity is relatively high in these countries and demand has been good at recent sales.

Wool is an important war material in most countries, and a considerable part of the recent increase in foreign mill activity has been due to Government orders for wool manufactures. In view of the transportation difficulties involved in obtaining supplies of raw wool in time of war, the present political tension in Europe favors the building up of stocks of raw wool in manufacturing centers.

FOREIGN SITUATION

Wool sales

Final sales of the 1938-39 season were held in Australian selling centers in June. Prices advanced about 5 percent on good quality wools at the Sydney sales in the first half of the month. The advance was fully maintained at the Brisbane sales which closed June 29. Japan and Germany were the chief buyers at the June sales. The 1939-40 selling season will open at Sydney on August 28.

The volume of sales in the Argentine market was seasonally small in May and June. There was a good demand for coarse crossbred wools, and prices advanced where such wool was available. Stocks of coarse crossbred wools were reported to be about exhausted in the early part of June.

No public wool auctions were held in London in June. The next series at London is scheduled to open on July 11. It is reported from Bradford that prices of wool and tops are firm in that market. Prices of crossbred wools grading 50s to 58s have been strengthened by a recent order for 3 million pounds of superior 50s tops for the English Government.

Australian wool production to be larger in 1939-40

Australian wool production for 1939-40 - the season beginning July 1, 1939 - is expected to be about 980 million pounds, grease equivalent, according to the pre-shearing estimate released in June by the joint conference of Australian growers and brokers. This is an increase of 4 percent over the estimate of 940 million pounds for 1938-39 but is 1 percent smaller than the average production for the five preceding seasons, 1933-34 to 1937-38. Merino wool will constitute about 82 percent of the new clip or about the same percentage as last season.

Australia produces almost one-half of the commercial wool clip of the Southern Hemisphere. Production estimates for other Southern Hemisphere countries are not yet available for 1939-40.

Total Australian supplies smaller

Present indications are that available supplies for the 1939-40 marketing season in Australia will be about 1 percent smaller than for the season just closed and 2 percent smaller than the average for the preceding five seasons. The estimated increase in production is expected to be offset by a decrease in the carry-over from a year earlier. It was estimated by the National Council of Wool Selling Brokers and Growers that by the end of June stocks at selling centers would be reduced to about 18 million pounds compared with 71 million pounds a year ago. The average carry-over at selling centers on June 30 for the 5 years, 1933-37, was 28 million pounds.

Australia: Wool production, carry-over at selling centers and supply for disposal, 1933-39

Season beginning July 1	Production	Carry-over at selling centers	Supply for disposal
	Million pounds	Million pounds	Million pounds
1933	996	13	1,009
1934	1,015	64	1,079
1935	971	28	999
1936	983	22	1,005
1937	1,010	14	1,024
Average	995	28	1,023
1938	1/ 940	71	1,011
1939	1/ 980	2/ 18	998

Compiled from official sources and Reports of the National Council of Wool Selling Brokers of Australia.

1/ Preliminary estimate of National Council of Australian Wool Selling Brokers and Growers converted to pounds, grease equivalent.

2/ Estimate.

Carry-over small in most countries

The carry-over of wool into the 1939-40 season is expected to be small in other Southern Hemisphere countries, except Uruguay. Apparent supplies 1/ in the Union of South Africa on June 1 were smaller than a year earlier but about the same as average June 1 supplies in the 5 years, 1933-37. Supplies in New Zealand and Argentina, which produce chiefly crossbred wools, were more than 25 percent smaller on June 1 than a year earlier and were almost 20 percent smaller than the June 1 average for the 5 years, 1933-37.

On the basis of export statistics to May 31, supplies remaining in Uruguay on June 1 were slightly larger than a year earlier and more than twice as large as the preceding 5-year average. Uruguay produces about 6 percent of the Southern Hemisphere wool clip.

Exports exceed 5-year average

Exports from the five Southern Hemisphere countries for the current season up to June 1 totaled 1,707 million pounds. This was 17 percent larger than the exports for the same period last year and about 2 percent greater than the average for the period in the 5 seasons, 1932-33 to 1936-37. The strong demand for crossbred wools in the current season is reflected in export statistics for New Zealand and Argentina. Exports from these countries to June 1 of the current season were about 12 percent above the 5-year average. Exports from Australia and the Union of South Africa, which produce chiefly merino wool, were slightly below the 5-year average.

Wool exports from five Southern Hemisphere countries to May 31 of the 1938-39 season, with comparisons

Country	Period	Average 1932-33 to 1936-37	1936-37	1937-38	1938-39 1/
		Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
Australia 2/	July-May	827.3	803.9	736.8	828.7
Union of South Africa 3/	" "	240.9	245.7	207.9	225.7
New Zealand 2/	" "	262.0	269.4	254.9	291.6
Total 3 countries	" "	1,330.2	1,319.0	1,199.6	1,346.0
Argentina 4/	Oct.-May	244.2	246.6	192.2	278.7
Uruguay 4/	" "	96.1	109.1	65.7	82.0
Total 2 countries	" "	340.3	355.7	257.9	360.7

1/ Preliminary. 2/ Estimates of Dalgety & Co. 3/ Official estimates.
4/ Commercial estimates supplied by the Buenos Aires office of the Bureau.

1/ Carry-over from preceding season plus estimated production minus exports to May 31. No account taken of wool sold but not yet exported and quantities sold for domestic consumption.

Supplies large, activity high in most importing countries

Import statistics indicate that supplies of raw wool in European countries are fairly large. But mill activity is now at a fairly high level in most countries. The monthly index of top production in the United Kingdom, France, Belgium, Poland and Hungary was 94 in April compared with 77.9 a year earlier and an average of 97.8 for April in the years, 1935-37. The March index of 115 was the highest since the index was first compiled in 1935, according to statistics published in the Wool Intelligence Notes. A considerable part of the recent increases in activity is reported to be due to Government orders for wool manufactures.

Stocks of raw wool in railway and canal depots in Yorkshire, England on May 1 were twice as large as the stocks a year earlier. They were the largest reported for May since 1934, according to the Wool Intelligence Notes. Machinery employment in the wool industry in June was the highest for 2 years, according to a report from C. C. Taylor, Agricultural Attache at London.

Stocks of raw wool in Japanese warehouses at the end of February - the latest date for which statistics are available - were the smallest reported since 1931. Imports of wool into Japan in the first 4 months of 1939 were 45 percent larger than a year earlier but were less than half as large as the average for those months in the years, 1933-37. The decline in imports compared with earlier years is the result of government control and licensing of imports.

SUPPLEMENTARY DATA

Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1937-39

Market and description	Average	1938	1938	1939		
	1937	1938	June	Apr.	May	June
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing, scoured basis						
64s, 70s, 80s, (fine)	101.9	70.4	65.0	69.0	69.8	70.8
56s (3/8 blood)	87.1	58.9	54.0	57.1	58.5	59.8
46s (low 1/4 blood)	72.1	52.4	49.0	50.0	52.0	53.9
United States:						
Farm price, 15th of month grease basis	32.0	19.1	18.0	19.7	21.0	21.9
London: 1/						
Average quality, clean cost 2/						
70s	62.1	42.4	44.9	38.3	38.0	
56s	46.3	31.4	31.5	28.8	29.0	
46s	39.5	27.1	26.3	24.6	25.8	
Bradford: 3/ Scoured basis -						
64s warp	64.7	44.2	43.4	39.0	39.0	40.0
50s	43.2	28.2	26.9	27.3	28.3	29.2
Australia:						
Average price at selling centers grease wool 4/	24.7	17.6	16.6	14.8	14.6	
Sydney (delivered Bradford)						
70s warp, clean basis 5/	6/ 67.5	7/ 48.1	--	41.0	41.9	
Union of South Africa:						
Average export price greasy wool	25.1	16.6	15.3	14.0	13.5	
Price at selling centers, 70s warp, clean cost 8/	9/ 63.2	6/ 46.3	--	39.1	--	
Argentina - Buenos Aires						
Coarse crossbred, greasy 10/	11/ 21.7	12/ 15.0	14.8	12.7	Nom.	
Uruguay - Montevideo						
Crossbred, greasy 13/						
Fine 50/56s-60s	14/ 36.6	18.8	18.5	17.9	17.7	
Coarse 32/36s-44s	14/ 28.2	17.0	17.3	15.6	15.8	
United States: Textile fibers -						
Wool, territory fine staple 15/	101.9	70.4	65.0	69.0	69.8	70.8
Cotton, 7/8 Middling 16/	11.22	8.58	8.39	8.51	9.16	9.50
Silk, Japanese 13-15 17/	186.0	170.6	160.9	239.3	268.9	253.4
Rayon, yarn, 150 denier 18/	62.2	52.2	49.0	51.0	51.0	51.0

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Average of quotations for each series of London sales reported by the London office of the Bureau. For months when no sales were held, figures are interpolated. 2/ Top and noil in oil. 3/ Quotations reported about the 25th of the month by the London office of the Bureau. 4/ Reports of the National Council of Wool Selling Brokers. 5/ Monthly averages of weekly quotations from the Wool Record and Textile World, England. 6/ 3-month average. No quotations May to Aug. 7/ 9-month average. No quotations June to Aug. 8/ South African Ministry for Agriculture. 9/ 10-month average. No quotations July and August. 10/ Wools of South and Southeast Buenos Aires Province. Revista Quincenal de Precios - Salaberry Bercetche & Cia. 11/4-month average. No quotations April to Nov. 12/11-month average. No quotations for Oct. 13/ Boletin de Hacienda, Uruguay. 14/6-month average. No quotations May to Oct. 15/ Scoured basis at Boston. 16/Average at 10 markets. 17/78 percent white at New York Bur. of Labor Statistics. 18/ Bur. of Labor Statistics.

United States: Wool imports, consumption and machinery activity, specified periods, 1937-39

Item	1937	1938	Jan.-May 1938	Jan.-May 1939	May 1938	Apr. 1939	May 1939
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Imports for consumption: actual weight: 1/							
Apparel	150,160	30,811	6,529	33,491	1,169	6,303	6,536
Finer than 40s	126,601	18,443	4,585	23,378	665	4,350	4,165
Not finer than 40s	23,559	12,369	1,944	10,113	504	1,453	2,371
Carpet, including camels hair	172,091	71,908	12,647	67,534	2,784	10,357	13,797
Consumption, scoured basis: 2/							
Weekly average-							
Apparel	4,772	4,143	2,763	4,969	3,236	3,914	5,061
Carpet	2,023	1,225	843	1,928	759	1,631	1,463
Aggregate-							
Apparel	248,121	219,565	60,778	109,311	12,944	19,567	20,244
Carpet	105,197	64,945	18,547	42,427	3,036	8,159	5,852
			Weekly average in hours				
Machinery activity 2/							
Hours operated per machine in place 3/							
Worsted combs	46.1	39.5	26.1	44.9	32.4	36.8	44.9
Worsted spindles	32.9	26.6	17.9	37.0	21.2	31.6	37.0
Woolen spindles	43.1	30.6	23.6	34.9	21.8	30.6	34.9
Woolen and worsted looms-							
Broad	39.0	28.0	22.3	36.5	19.9	31.0	36.5
Narrow	20.4	10.5	9.9	10.5	8.9	9.6	10.5
Carpet & rug looms-							
Broad	28.6	18.8	19.3	32.7	15.8	37.4	32.7
Narrow			13.9	20.7	12.6	22.9	20.7

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.
2/ Figures for April based on 5 weeks, May on 4 weeks, January to May on 22 weeks; 1938 totals based on 53 weeks. No adjustment made for holidays.
3/ "Weekly average hours operated per machine or spindle in place" will take the place of "percentage of maximum single shift capacity" previously reported. The percentage of single shift capacity (40 hours) may be obtained by dividing the above figures by 40.
4/ Revised figures.

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